



ANNUAL STATEMENT

For the Year Ended December 31, 2017
of the Condition and Affairs of the

Priority Health

NAIC Group Code.....3383, 3383
(Current Period) (Prior Period)

NAIC Company Code..... 95561

Employer's ID Number..... 38-2715520

Organized under the Laws of MI

State of Domicile or Port of Entry MI

Country of Domicile US

Licensed as Business Type.....Health Maintenance Organization

Is HMO Federally Qualified? Yes [] No [X]

Incorporated/Organized..... March 7, 1986

Commenced Business..... October 15, 1986

Statutory Home Office

1231 East Beltline NE..... Grand Rapids MI UNI 49525-4501
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office

1231 East Beltline NE..... Grand Rapids MI UNI 49525-4501
(Street and Number) (City or Town, State, Country and Zip Code)

616-942-0954
(Area Code) (Telephone Number)

Mail Address

1231 East Beltline NE..... Grand Rapids MI UNI 49525-4501
(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records

1231 East Beltline NE..... Grand Rapids MI UNI 49525-4501
(Street and Number) (City or Town, State, Country and Zip Code)

616-464-8837
(Area Code) (Telephone Number)

Internet Web Site Address

www.priorityhealth.com

Statutory Statement Contact

Rachel Brandon
(Name)
rachel.brandon@priorityhealth.com
(E-Mail Address)

616-464-8205
(Area Code) (Telephone Number) (Extension)
616-942-7916
(Fax Number)

OFFICERS

Name	Title	Name	Title
1. Joan Antaya Budden	President / Chief Executive Officer	2. Mary Anne Jones	Treasurer / Chief Financial Officer
3. Kimberly Lynn Thomas	Secretary	4.	

OTHER

DIRECTORS OR TRUSTEES

Richard Breon	Joan Antaya Budden #	Christina Michelle Freese Decker	Rajesh Ujamlal Kothari
Rodrick Tremain Miller	Edwin Anders Ness	Paul Gerald Saginaw	Hilary Fred Snell
James Joseph Stephanak	Michael Frederic Sytsma	Gary Wade Timmer	Bruce Allen Ullery
Michael Clifton Vredenburg	Wendy Hansen Walker	Samuel Lynn Wanner	Seth William Wolk
Elaine Coston Wood			

State of.....
County of.....

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)
Joan Antaya Budden
1. (Printed Name)
President / Chief Executive Officer
(Title)

(Signature)
Mary Anne Jones
2. (Printed Name)
Treasurer / Chief Financial Officer
(Title)

(Signature)
Kimberly Lynn Thomas
3. (Printed Name)
Secretary
(Title)

Subscribed and sworn to before me
This _____ day of _____ 2018

a. Is this an original filing? Yes [X] No []
b. If no
1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	420,288,091		420,288,091	350,634,509
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....	255,188,868		255,188,868	206,855,169
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			.0	
3.2 Other than first liens.....			.0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....	544,949	544,949	.0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			.0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			.0	
5. Cash (\$.....(25,292,573), Schedule E-Part 1), cash equivalents (\$.....167,145,458, Schedule E-Part 2) and short-term investments (\$.....252,615,665, Schedule DA).....	394,468,551		394,468,551	327,639,012
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Derivatives (Schedule DB).....			.0	
8. Other invested assets (Schedule BA).....			.0	
9. Receivables for securities.....			.0	
10. Securities lending reinvested collateral assets (Schedule DL).....			.0	
11. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	1,070,490,459	544,949	1,069,945,510	885,128,690
13. Title plants less \$.....0 charged off (for Title insurers only).....			.0	
14. Investment income due and accrued.....	3,631,992		3,631,992	3,043,243
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	43,993,983	6,726,408	37,267,575	44,761,466
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			.0	
15.3 Accrued retrospective premiums (\$.....0) and contracts subject to redetermination (\$.....0).....			.0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	3,140,403		3,140,403	15,460,647
16.2 Funds held by or deposited with reinsured companies.....			.0	
16.3 Other amounts receivable under reinsurance contracts.....			.0	
17. Amounts receivable relating to uninsured plans.....			.0	13,206,990
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0	
18.2 Net deferred tax asset.....			.0	
19. Guaranty funds receivable or on deposit.....			.0	
20. Electronic data processing equipment and software.....			.0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....			.0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
23. Receivables from parent, subsidiaries and affiliates.....	16,565,412	6,203	16,559,209	17,027,280
24. Health care (\$.....35,915,113) and other amounts receivable.....	63,106,483	27,145,437	35,961,046	21,811,768
25. Aggregate write-ins for other-than-invested assets.....	62,052,553	62,052,553	.0	.0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	1,262,981,285	96,475,550	1,166,505,735	1,000,440,084
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
28. TOTAL (Lines 26 and 27).....	1,262,981,285	96,475,550	1,166,505,735	1,000,440,084

DETAILS OF WRITE-INS

1101. ....			.0	
1102. ....			.0	
1103. ....			.0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0
2501. Prepaid expenses.....	62,052,553	62,052,553	.0	
2502. ....			.0	
2503. ....			.0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0	.0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	62,052,553	62,052,553	.0	.0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded).....	251,385,079	17,239,868	268,624,947	238,325,871
2. Accrued medical incentive pool and bonus amounts.....	38,685,033		38,685,033	42,844,046
3. Unpaid claims adjustment expenses.....	4,613,745	298,492	4,912,237	4,369,697
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act.....	90,961,331		90,961,331	57,600,948
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserves.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	16,525,897		16,525,897	17,084,768
9. General expenses due or accrued.....	19,021,102		19,021,102	20,861,072
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....			0	
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....			0	1,741,254
12. Amounts withheld or retained for the account of others.....			0	
13. Remittances and items not allocated.....	2,828,356		2,828,356	3,020,732
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$....2,456 current).....	10,002,456		10,002,456	10,003,133
15. Amounts due to parent, subsidiaries and affiliates.....	41,990,958		41,990,958	28,501,670
16. Derivatives.....			0	
17. Payable for securities.....	965,979		965,979	1,593,837
18. Payable for securities lending.....			0	
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized reinsurers and \$.....0 certified reinsurers).....			0	
20. Reinsurance in unauthorized and certified (\$.....0) companies.....			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
22. Liability for amounts held under uninsured plans.....	2,987,162		2,987,162	
23. Aggregate write-ins for other liabilities (including \$.....0 current).....	0	0	0	0
24. Total liabilities (Lines 1 to 23).....	479,967,098	17,538,360	497,505,458	425,947,028
25. Aggregate write-ins for special surplus funds.....	XXX	XXX	31,484,197	1,000,000
26. Common capital stock.....	XXX	XXX	8,524	8,524
27. Preferred capital stock.....	XXX	XXX		
28. Gross paid in and contributed surplus.....	XXX	XXX	35,821,002	35,821,002
29. Surplus notes.....	XXX	XXX	12,000,000	18,000,000
30. Aggregate write-ins for other-than-special surplus funds.....	XXX	XXX	0	0
31. Unassigned funds (surplus).....	XXX	XXX	589,686,554	519,663,529
32. Less treasury stock at cost:				
32.1 .....0.000 shares common (value included in Line 26 \$.....0).....	XXX	XXX		
32.2 .....0.000 shares preferred (value included in Line 27 \$.....0).....	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32).....	XXX	XXX	669,000,277	574,493,055
34. Total liabilities, capital and surplus (Lines 24 and 33).....	XXX	XXX	1,166,505,735	1,000,440,083

DETAILS OF WRITE-INS

2301.			0	
2302.			0	
2303.			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above).....	0	0	0	0
2501. Appropriated Retained Earnings.....	XXX	XXX	1,000,000	1,000,000
2502. Reserve for Insurer Fee.....	XXX	XXX	30,484,197	
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	XXX	XXX	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	XXX	XXX	31,484,197	1,000,000
3001.	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	XXX	XXX	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above).....	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX	6,342,781	5,760,228
2. Net premium income (including \$.....0 non-health premium income).....	XXX	3,026,510,516	2,664,498,133
3. Change in unearned premium reserves and reserve for rate credits.....	XXX	(13,155,735)	(3,094,264)
4. Fee-for-service (net of \$.....0 medical expenses).....	XXX		
5. Risk revenue.....	XXX		
6. Aggregate write-ins for other health care related revenues.....	XXX	1,721,316	1,746,230
7. Aggregate write-ins for other non-health revenues.....	XXX	.0	.0
8. Total revenues (Lines 2 to 7).....	XXX	3,015,076,097	2,663,150,099
Hospital and Medical:			
9. Hospital/medical benefits.....		2,048,901,424	1,784,259,021
10. Other professional services.....		17,924,424	15,962,688
11. Outside referrals.....		55,608,871	45,437,734
12. Emergency room and out-of-area.....		109,231,006	89,530,539
13. Prescription drugs.....		377,009,955	361,766,276
14. Aggregate write-ins for other hospital and medical.....0		.0	.0
15. Incentive pool, withhold adjustments and bonus amounts.....		38,824,962	53,979,428
16. Subtotal (Lines 9 to 15).....	.0	2,647,500,642	2,350,935,686
Less:			
17. Net reinsurance recoveries.....		1,709,268	15,785,347
18. Total hospital and medical (Lines 16 minus 17).....0		2,645,791,374	2,335,150,339
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$....44,989,340 cost containment expenses.....		89,189,394	80,362,416
21. General administrative expenses.....		218,667,958	213,714,591
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....			
23. Total underwriting deductions (Lines 18 through 22).....0		2,953,648,726	2,629,227,346
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX	61,427,371	33,922,753
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		16,250,757	11,437,103
26. Net realized capital gains or (losses) less capital gains tax of \$.....0.....		229,731	4,777,667
27. Net investment gains or (losses) (Lines 25 plus 26).....0		16,480,488	16,214,770
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)].....			
29. Aggregate write-ins for other income or expenses.....0		785,690	954,900
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	78,693,549	51,092,423
31. Federal and foreign income taxes incurred.....	XXX		
32. Net income (loss) (Lines 30 minus 31).....	XXX	78,693,549	51,092,423

DETAILS OF WRITE-INS			
0601. Wellness Revenue.....	XXX	1,721,316	1,746,230
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above).....	XXX	1,721,316	1,746,230
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	XXX	.0	.0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above).....	XXX	.0	.0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page.....0		.0	.0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above).....0		.0	.0
2901. Management Fee Revenue.....		785,690	954,900
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page.....0		.0	.0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above).....0		785,690	954,900

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	574,493,052	529,823,237
34. Net income or (loss) from Line 32.....	78,693,549	51,092,423
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains and (losses) less capital gains tax of \$0.....	38,903,593	17,737,940
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....		
39. Change in nonadmitted assets.....	(17,089,917)	(18,120,977)
40. Change in unauthorized and certified reinsurance.....		
41. Change in treasury stock.....		
42. Change in surplus notes.....	(6,000,000)	(6,039,572)
43. Cumulative effect of changes in accounting principles.....		
44. Capital changes:		
44.1 Paid in.....		
44.2 Transferred from surplus (Stock Dividend).....		
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....		
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....		
47. Aggregate write-ins for gains or (losses) in surplus.....	0	0
48. Net change in capital and surplus (Lines 34 to 47).....	94,507,225	44,669,814
49. Capital and surplus end of reporting period (Line 33 plus 48).....	669,000,277	574,493,052

DETAILS OF WRITE-INS		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above).....	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	3,029,648,583	2,631,084,450
2. Net investment income.....	16,817,225	13,308,332
3. Miscellaneous income.....	1,721,316	1,746,230
4. Total (Lines 1 through 3).....	3,048,187,124	2,646,139,012
5. Benefit and loss related payments.....	2,630,113,661	2,300,022,868
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	292,174,940	311,692,294
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....		
10. Total (Lines 5 through 9).....	2,922,288,601	2,611,715,162
11. Net cash from operations (Line 4 minus Line 10).....	125,898,523	34,423,850
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	257,851,253	206,619,709
12.2 Stocks.....	422,505	17,129,169
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	(11,865)	18,997
12.7 Miscellaneous proceeds.....		
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	258,261,893	223,767,875
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	328,539,161	218,720,065
13.2 Stocks.....	9,440,828	8,846,400
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....	627,858	2,719,513
13.7 Total investments acquired (Lines 13.1 to 13.6).....	338,607,847	230,285,978
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(80,345,954)	(6,518,103)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....	(6,000,000)	(6,039,572)
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....	(677)	1,052
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	27,277,647	4,158,264
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	21,276,970	(1,880,256)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	66,829,539	26,025,491
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	327,639,012	301,613,520
19.2 End of year (Line 18 plus Line 19.1).....	394,468,551	327,639,012

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		
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ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plans	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income.....	3,026,510,516	1,738,409,901	31,328,413			21,151,245	1,235,620,956			
2. Change in unearned premium reserves and reserve for rate credit.....	(13,155,735)						(13,155,735)			
3. Fee-for-service (net of \$.....0 medical expenses).....	0									XXX
4. Risk revenue.....	0									XXX
5. Aggregate write-ins for other health care related revenues.....	1,721,316	1,721,316	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6).....	3,015,076,097	1,740,131,217	31,328,413	0	0	21,151,245	1,222,465,221	0	0	0
8. Hospital/medical benefits.....	2,048,901,424	1,140,838,301	22,057,134			17,738,278	868,267,711			XXX
9. Other professional services.....	17,924,424	574,024	1			8,925	17,341,474			XXX
10. Outside referrals.....	55,608,871	33,488,554	631,303			520,695	20,968,319			XXX
11. Emergency room and out-of-area.....	109,231,006	53,916,807	597,212			838,323	53,878,664			XXX
12. Prescription drugs.....	377,009,955	255,579,128	(59,940)			3,973,862	117,516,905			XXX
13. Aggregate write-ins for other hospital and medical.....	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts.....	38,824,962	24,111,359				374,894	14,338,709			XXX
15. Subtotal (Lines 8 to 14).....	2,647,500,642	1,508,508,173	23,225,710	0	0	23,454,977	1,092,311,782	0	0	XXX
16. Net reinsurance recoveries.....	1,709,268	1,599,171					110,097			XXX
17. Total hospital and medical (Lines 15 minus 16).....	2,645,791,374	1,506,909,002	23,225,710	0	0	23,454,977	1,092,201,685	0	0	XXX
18. Non-health claims (net).....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$.....44,989,340 cost containment expenses.....	89,189,394	54,986,694	1,447,795			854,958	31,899,947			
20. General administrative expenses.....	218,667,958	146,099,275	6,129,877			1,779,139	64,659,667			
21. Increase in reserves for accident and health contracts.....	0									XXX
22. Increase in reserve for life contracts.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22).....	2,953,648,726	1,707,994,971	30,803,382	0	0	26,089,074	1,188,761,299	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23).....	61,427,371	32,136,246	525,031	0	0	(4,937,829)	33,703,922	0	0	0

DETAILS OF WRITE-INS

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1.	Comprehensive (hospital and medical).....	1,739,905,479		1,495,578	1,738,409,901
2.	Medicare supplement.....	31,328,413			31,328,413
3.	Dental only.....				0
4.	Vision only.....				0
5.	Federal employees health benefits plan.....	21,169,442		18,197	21,151,245
6.	Title XVIII - Medicare.....	1,235,677,226		56,270	1,235,620,956
7.	Title XIX - Medicaid.....				0
8.	Other health.....				0
9.	Health subtotal (Lines 1 through 8).....	3,028,080,560	0	1,570,044	3,026,510,516
10.	Life.....				0
11.	Property/casualty.....				0
12.	Totals (Lines 9 to 11).....	3,028,080,560	0	1,570,044	3,026,510,516

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct.....	2,688,907,542	1,517,660,631	22,879,037			22,270,258	1,126,097,616			
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	14,029,512	13,979,744					49,768			
1.4 Net.....	2,674,878,030	1,503,680,887	22,879,037	0	0	22,270,258	1,126,047,848	0	0	0
2. Paid medical incentive pools and bonuses.....	42,983,975	28,296,623				374,894	14,312,458			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct.....	268,624,947	160,541,396	3,144,182			3,008,510	101,930,859			
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	268,624,947	160,541,396	3,144,182	0	0	3,008,510	101,930,859	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct.....	0									
4.2 Reinsurance assumed.....	0									
4.3 Reinsurance ceded.....	0									
4.4 Net.....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year.....	38,685,033	27,560,705					11,124,328			
6. Net healthcare receivables (a).....	110,530,940	52,072,838	15,308				58,442,794			
7. Amounts recoverable from reinsurers December 31, current year.....	3,140,403	3,080,074					60,329			
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct.....	238,325,870	141,732,375	2,782,202			2,198,685	91,612,608			
8.2 Reinsurance assumed.....	0									
8.3 Reinsurance ceded.....	0									
8.4 Net.....	238,325,870	141,732,375	2,782,202	0	0	2,198,685	91,612,608	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct.....	0									
9.2 Reinsurance assumed.....	0									
9.3 Reinsurance ceded.....	0									
9.4 Net.....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	42,844,046	31,745,969					11,098,077			
11. Amounts recoverable from reinsurers December 31, prior year.....	15,460,647	15,460,647								
12. Incurred benefits:										
12.1 Direct.....	2,608,675,679	1,484,396,814	23,225,709	0	0	23,080,083	1,077,973,073	0	0	0
12.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded.....	1,709,268	1,599,171	0	0	0	0	110,097	0	0	0
12.4 Net.....	2,606,966,411	1,482,797,643	23,225,709	0	0	23,080,083	1,077,862,976	0	0	0
13. Incurred medical incentive pools and bonuses.....	38,824,962	24,111,359	0	0	0	374,894	14,338,709	0	0	0

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct.....	67,818,518	40,485,900	794,168				26,538,450			
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	0									
1.4 Net.....	67,818,518	40,485,900	794,168	0	0	0	26,538,450	0	0	0
2. Incurred but unreported:										
2.1 Direct.....	200,759,114	120,008,181	2,350,014			3,008,510	75,392,409			
2.2 Reinsurance assumed.....	0									
2.3 Reinsurance ceded.....	0									
2.4 Net.....	200,759,114	120,008,181	2,350,014	0	0	3,008,510	75,392,409	0	0	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	47,315	47,315								
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	47,315	47,315	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct.....	268,624,947	160,541,396	3,144,182	0	0	3,008,510	101,930,859	0	0	0
4.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	0	0	0	0	0	0	0	0	0	0
4.4 Net.....	268,624,947	160,541,396	3,144,182	0	0	3,008,510	101,930,859	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical).....	139,176,398	1,376,510,171	988,497	159,552,898	140,164,895	141,732,375
2. Medicare supplement.....	2,748,980	20,130,057	13,437	3,130,745	2,762,417	2,782,202
3. Dental only.....					0	
4. Vision only.....					0	
5. Federal employees health benefits plan.....	2,174,589	20,470,564	24,096	2,984,415	2,198,685	2,198,685
6. Title XVIII - Medicare.....	84,980,122	1,041,007,394	257,243	101,673,616	85,237,365	91,612,608
7. Title XIX - Medicaid.....					0	
8. Other health.....					0	
9. Health subtotal (Lines 1 to 8).....	229,080,089	2,458,118,186	1,283,273	267,341,674	230,363,362	238,325,870
10. Healthcare receivables (a).....	93,989,603	74,569,894		35,961,046	93,989,603	93,989,603
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....	34,403,460	8,580,515		38,685,033	34,403,460	42,844,046
13. Totals (Lines 9 - 10 + 11 + 12).....	169,493,946	2,392,128,807	1,283,273	270,065,661	170,777,219	187,180,313

(a) Excludes \$.00 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	149,177	149,177	149,177	149,177	149,177
2. 2013.....	1,509,146	1,643,233	1,643,233	1,643,233	1,643,233
3. 2014.....	XXX	1,544,157	1,685,638	1,685,638	1,685,638
4. 2015.....	XXX	XXX	1,708,998	1,911,030	1,911,030
5. 2016.....	XXX	XXX	XXX	2,059,134	2,228,629
6. 2017.....	XXX	XXX	XXX	XXX	2,392,129

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....					
2. 2013.....	1,671,597	1,641,881	1,641,881	1,641,881	1,641,881
3. 2014.....	XXX	1,716,928	1,698,626	1,698,626	1,698,626
4. 2015.....	XXX	XXX	1,897,338	1,907,249	1,907,249
5. 2016.....	XXX	XXX	XXX	2,325,239	2,308,837
6. 2017.....	XXX	XXX	XXX	XXX	2,662,194

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2013.....	1,877,833	1,643,233	60,671	3.7	1,703,904	90.7			1,703,904	90.7
2. 2014.....	1,981,392	1,685,638	66,663	4.0	1,752,301	88.4			1,752,301	88.4
3. 2015.....	2,187,715	1,911,030	74,131	3.9	1,985,161	90.7			1,985,161	90.7
4. 2016.....	2,661,319	2,228,629	83,067	3.7	2,311,696	86.9	1,283	23	2,313,002	86.9
5. 2017.....	3,014,925	2,392,129	52,602	2.2	2,444,731	81.1	306,028	4,889	2,755,648	91.4

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(\$000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	100,927	100,927	100,927	100,927	100,927
2. 2013.....	924,261	1,010,513	1,010,513	1,010,513	1,010,513
3. 2014.....	XXX	891,279	968,976	968,976	968,976
4. 2015.....	XXX	XXX	983,629	1,094,972	1,094,972
5. 2016.....	XXX	XXX	XXX	1,208,909	1,327,585
6. 2017.....	XXX	XXX	XXX	XXX	1,346,271

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....					
2. 2013.....	1,027,316	1,008,881	1,008,881	1,008,881	1,008,881
3. 2014.....	XXX	993,196	978,613	978,613	978,613
4. 2015.....	XXX	XXX	1,097,545	1,101,250	1,101,250
5. 2016.....	XXX	XXX	XXX	1,336,508	1,326,974
6. 2017.....	XXX	XXX	XXX	XXX	1,516,443

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2013.....	1,174,902	1,010,513	46,425	4.6	1,056,938	90.0			1,056,938	90.0
2. 2014.....	1,175,985	968,976	48,956	5.1	1,017,932	86.6			1,017,932	86.6
3. 2015.....	1,271,823	1,094,972	53,985	4.9	1,148,957	90.3			1,148,957	90.3
4. 2016.....	1,567,784	1,327,585	61,479	4.6	1,389,064	88.6	989	18	1,390,071	88.7
5. 2017.....	1,739,906	1,346,271	38,079	2.8	1,384,350	79.6	187,114	2,922	1,574,386	90.5

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(\$000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	1,412	1,412	1,412	1,412	1,412
2. 2013.....	8,314	9,662	9,662	9,662	9,662
3. 2014.....	XXX	10,067	11,386	11,386	11,386
4. 2015.....	XXX	XXX	12,846	15,057	15,057
5. 2016.....	XXX	XXX	XXX	16,056	18,792
6. 2017.....	XXX	XXX	XXX	XXX	20,120

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....					
2. 2013.....	9,624	9,662	9,662	9,662	9,662
3. 2014.....	XXX	12,018	10,874	10,874	10,874
4. 2015.....	XXX	XXX	15,702	15,068	15,068
5. 2016.....	XXX	XXX	XXX	19,006	18,986
6. 2017.....	XXX	XXX	XXX	XXX	23,245

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2013.....	12,594	9,662	1,109	11.5	10,771	85.5			10,771	85.5
2. 2014.....	15,662	11,386	1,371	12.0	12,757	81.5			12,757	81.5
3. 2015.....	20,630	15,057	1,811	12.0	16,868	81.8			16,868	81.8
4. 2016.....	25,798	18,792	2,131	11.3	20,923	81.1	13		20,936	81.2
5. 2017.....	31,328	20,120	1,455	7.2	21,575	68.9	3,131	60	24,766	79.1

Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims
NONE

Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims
NONE

Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims
NONE

Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims
NONE

Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims
NONE

Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(\$000 Omitted)

SECTION A - PAID HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....					
2. 2013.....					
3. 2014.....	XXX				
4. 2015.....	XXX	XXX	720	1,227	1,227
5. 2016.....	XXX	XXX	XXX	5,571	7,746
6. 2017.....	XXX	XXX	XXX	XXX	20,471

SECTION B - INCURRED HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....					
2. 2013.....					
3. 2014.....	XXX				
4. 2015.....	XXX	XXX	788	1,295	1,295
5. 2016.....	XXX	XXX	XXX	7,770	7,770
6. 2017.....	XXX	XXX	XXX	XXX	23,455

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2013.....		0		0.0	0	0.0			0	0.0
2. 2014.....		0		0.0	0	0.0			0	0.0
3. 2015.....	921	1,227		0.0	1,227	133.2			1,227	133.2
4. 2016.....	7,435	7,746		0.0	7,746	104.2	24		7,770	104.5
5. 2017.....	21,169	20,471	357	1.7	20,828	98.4	2,985	54	23,867	112.7

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(\$000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	46,838	46,838	46,838	46,838	46,838
2. 2013.....	576,571	623,058	623,058	623,058	623,058
3. 2014.....	XXX	642,811	705,276	705,276	705,276
4. 2015.....	XXX	XXX	711,803	799,774	799,774
5. 2016.....	XXX	XXX	XXX	828,598	874,506
6. 2017.....	XXX	XXX	XXX	XXX	1,005,267

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

12.XV

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....					
2. 2013.....	634,657	623,338	623,338	623,338	623,338
3. 2014.....	XXX	711,714	709,139	709,139	709,139
4. 2015.....	XXX	XXX	783,303	789,636	789,636
5. 2016.....	XXX	XXX	XXX	961,956	955,107
6. 2017.....	XXX	XXX	XXX	XXX	1,099,051

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XVIII - MEDICARE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2013.....	690,337	623,058	13,137	2.1	636,195	92.2			636,195	92.2
2. 2014.....	789,745	705,276	16,336	2.3	721,612	91.4			721,612	91.4
3. 2015.....	894,341	799,774	18,335	2.3	818,109	91.5			818,109	91.5
4. 2016.....	1,060,302	874,506	19,457	2.2	893,963	84.3	257	.5	894,225	84.3
5. 2017.....	1,222,522	1,005,267	12,711	1.3	1,017,978	83.3	112,798	1,853	1,132,629	92.6

Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims
NONE

Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims
NONE

Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims
NONE

Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims
NONE

Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims
NONE

Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	.....0	.....	.....	.....	.....	.....	.....	.....	.....
2. Additional policy reserves (a).....	.....0	.....	.....	.....	.....	.....	.....	.....	.....
3. Reserve for future contingent benefits.....	.....0	.....	.....	.....	.....	.....	.....	.....	.....
4. Reserve for rate credits or experience rating refunds (including \$.....0 for investment income).....	.....73,026,529	.....73,026,529	.....	.....	.....	.....	.....	.....	.....
5. Aggregate write-ins for other policy reserves.....	.....17,934,802	.....6,199,384	.....0	.....0	.....0	.....0	.....11,735,418	.....0	.....0
6. Totals (gross).....	.....90,961,331	.....79,225,913	.....0	.....0	.....0	.....0	.....11,735,418	.....0	.....0
7. Reinsurance ceded.....	.....0	.....	.....	.....	.....	.....	.....	.....	.....
8. Totals (net) (Page 3, Line 4).....	.....90,961,331	.....79,225,913	.....0	.....0	.....0	.....0	.....11,735,418	.....0	.....0
9. Present value of amounts not yet due on claims.....	.....0	.....	.....	.....	.....	.....	.....	.....	.....
10. Reserve for future contingent benefits.....	.....0	.....	.....	.....	.....	.....	.....	.....	.....
11. Aggregate write-ins for other claim reserves.....	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0
12. Totals (gross).....	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0
13. Reinsurance ceded.....	.....0	.....	.....	.....	.....	.....	.....	.....	.....
14. Totals (net) (Page 3, Line 7).....	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0

DETAILS OF WRITE-INS

0501. Cost Plus.....	.....6,199,384	.....6,199,384	.....	.....	.....	.....	.....	.....	.....
0502. Risk Corridor.....	.....11,735,418	.....	.....	.....	.....	.....	.....11,735,418	.....	.....
0503. ....	.....0	.....	.....	.....	.....	.....	.....	.....	.....
0598. Summary of remaining write-ins for Line 5 from overflow page.....	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above).....	.....17,934,802	.....6,199,384	.....0	.....0	.....0	.....0	.....11,735,418	.....0	.....0
1101. ....	.....0	.....	.....	.....	.....	.....	.....	.....	.....
1102. ....	.....0	.....	.....	.....	.....	.....	.....	.....	.....
1103. ....	.....0	.....	.....	.....	.....	.....	.....	.....	.....
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above).....	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0

(a) Includes \$.....0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building).....	825,238	810,760	2,076,273		3,712,271
2. Salaries, wages and other benefits.....	21,041,256	20,589,711	52,835,079		94,466,046
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			68,350,867		68,350,867
4. Legal fees and expenses.....	16,111	15,829	40,536		72,476
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	14,817	14,558	37,279		66,654
7. Traveling expenses.....	140,059	137,602	352,384		630,045
8. Marketing and advertising.....	1,763,229	1,732,295	5,006,360		8,501,884
9. Postage, express and telephone.....	820,975	806,572	2,065,548		3,693,095
10. Printing and office supplies.....	645,114	633,796	1,623,087		2,901,997
11. Occupancy, depreciation and amortization.....	4,684,255	4,602,075	11,785,442		21,071,772
12. Equipment.....					0
13. Cost or depreciation of EDP equipment and software.....					0
14. Outsourced services including EDP, claims, and other services.....	5,508,125	5,411,490	20,822,172		31,741,787
15. Boards, bureaus and association fees.....	151,292	148,639	380,647		680,578
16. Insurance, except on real estate.....	81,844	80,407	205,916		368,167
17. Collection and bank service charges.....	32,855	32,278	809,775		874,908
18. Group service and administration fees.....	324,590	401,301	921,240		1,647,131
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....	21,110	20,739	71,735		113,584
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....			14,589,274		14,589,274
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....			13,332,009		13,332,009
23.4 Payroll taxes.....					0
23.5 Other (excluding federal income and real estate taxes).....	33,018	32,434	1,006,809		1,072,261
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	8,885,452	8,729,568	22,355,526	0	39,970,546
26. Total expenses incurred (Lines 1 to 25).....	44,989,340	44,200,054	218,667,958	0	(a).....307,857,352
27. Less expenses unpaid December 31, current year.....	2,477,854	2,434,383	19,021,102		23,933,339
28. Add expenses unpaid December 31, prior year.....	1,441,211	2,928,486	20,861,072		25,230,769
29. Amounts receivable relating to uninsured plans, prior year.....			13,206,990		13,206,990
30. Amounts receivable relating to uninsured plans, current year.....			(2,987,162)		(2,987,162)
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	43,952,697	44,694,157	204,313,776	0	292,960,630

DETAILS OF WRITE-INS

2501. Finance Management Fee.....	722,691	710,013	1,818,269		3,250,973
2502. HR Management Fee.....	463,382	455,252	1,165,855		2,084,489
2503. IS Management Fee.....	7,482,468	7,351,197	18,825,660		33,659,325
2598. Summary of remaining write-ins for Line 25 from overflow page.....	216,911	213,106	545,742	0	975,759
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above).....	8,885,452	8,729,568	22,355,526	0	39,970,546

(a) Includes management fees of \$.....202,190,576 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. government bonds.....	(a).....5,998,515	.....6,171,880
1.1	Bonds exempt from U.S. tax.....	(a).....	.....
1.2	Other bonds (unaffiliated).....	(a).....4,394,580	.....4,589,660
1.3	Bonds of affiliates.....	(a).....	.....
2.1	Preferred stocks (unaffiliated).....	(b).....	.....
2.11	Preferred stocks of affiliates.....	(b).....	.....
2.2	Common stocks (unaffiliated).....	.....2,788,323	.....2,788,323
2.21	Common stocks of affiliates.....	.....	.....
3.	Mortgage loans.....	(c).....	.....
4.	Real estate.....	(d).....	.....
5.	Contract loans.....	.....	.....
6.	Cash, cash equivalents and short-term investments.....	(e).....4,064,823	.....4,099,726
7.	Derivative instruments.....	(f).....	.....
8.	Other invested assets.....	.....	.....
9.	Aggregate write-ins for investment income.....	.....0	.....0
10.	Total gross investment income.....	.....17,246,241	.....17,649,589
11.	Investment expenses.....		(g).....
12.	Investment taxes, licenses and fees, excluding federal income taxes.....		(g).....
13.	Interest expense.....		(h).....1,170,594
14.	Depreciation on real estate and other invested assets.....		(i).....228,238
15.	Aggregate write-ins for deductions from investment income.....		.....0
16.	Total deductions (Lines 11 through 15).....		.....1,398,832
17.	Net investment income (Line 10 minus Line 16).....		.....16,250,757

DETAILS OF WRITE-INS

0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9 above).....	.....0	.....0
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page.....		.....0
1599.	Totals (Lines 1501 through 1503 plus 1598) (Line 15 above).....		.....0
(a)	Includes \$.....565,965 accrual of discount less \$.....1,492,944 amortization of premium and less \$.....1,183,740 paid for accrued interest on purchases.		
(b)	Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.		
(c)	Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.		
(d)	Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.		
(e)	Includes \$.....748,634 accrual of discount less \$.....891,562 amortization of premium and less \$.....0 paid for accrued interest on purchases.		
(f)	Includes \$.....0 accrual of discount less \$.....0 amortization of premium.		
(g)	Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.		
(h)	Includes \$.....1,170,594 interest on surplus notes and \$.....0 interest on capital notes.		
(i)	Includes \$.....228,238 depreciation on real estate and \$.....0 depreciation on other invested assets.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. government bonds.....	.....(343,818)	.....	.....(343,818)	.....	.....
1.1	Bonds exempt from U.S. tax.....	.....	.....	.....0	.....	.....
1.2	Other bonds (unaffiliated).....	.....224,541	.....	.....224,541	.....11,937	.....
1.3	Bonds of affiliates.....	.....	.....	.....0	.....	.....
2.1	Preferred stocks (unaffiliated).....	.....	.....	.....0	.....	.....
2.11	Preferred stocks of affiliates.....	.....	.....	.....0	.....	.....
2.2	Common stocks (unaffiliated).....	.....422,505	.....	.....422,505	.....20,088,939	.....
2.21	Common stocks of affiliates.....	.....	.....	.....0	.....18,803,934	.....
3.	Mortgage loans.....	.....	.....	.....0	.....	.....
4.	Real estate.....	.....(63,539)	.....	.....(63,539)	.....	.....
5.	Contract loans.....	.....	.....	.....0	.....	.....
6.	Cash, cash equivalents and short-term investments.....	.....(11,865)	.....	.....(11,865)	.....	.....
7.	Derivative instruments.....	.....	.....	.....0	.....	.....
8.	Other invested assets.....	.....	.....1,907	.....1,907	.....(1,219)	.....
9.	Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10.	Total capital gains (losses).....	.....227,824	.....1,907	.....229,731	.....38,903,591	.....0

DETAILS OF WRITE-INS

0901.	.....	.....	.....0	.....	.....
0902.	.....	.....	.....0	.....	.....
0903.	.....	.....	.....0	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page...	.....0	.....0	.....0	.....0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0	.....0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			0
2.2 Common stocks.....			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			0
3.2 Other than first liens.....			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....	544,949	836,727	291,778
4.2 Properties held for the production of income.....			0
4.3 Properties held for sale.....			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			0
6. Contract loans.....			0
7. Derivatives (Schedule DB).....			0
8. Other invested assets (Schedule BA).....			0
9. Receivables for securities.....			0
10. Securities lending reinvested collateral assets (Schedule DL).....			0
11. Aggregate write-ins for invested assets.....	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	544,949	836,727	291,778
13. Title plants (for Title insurers only).....			0
14. Investment income due and accrued.....			0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	6,726,408	4,670,709	(2,055,699)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			0
15.3 Accrued retrospective premiums and contracts subject to redetermination.....			0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			0
16.2 Funds held by or deposited with reinsured companies.....			0
16.3 Other amounts receivable under reinsurance contracts.....			0
17. Amounts receivable relating to uninsured plans.....			0
18.1 Current federal and foreign income tax recoverable and interest thereon.....			0
18.2 Net deferred tax asset.....			0
19. Guaranty funds receivable or on deposit.....			0
20. Electronic data processing equipment and software.....			0
21. Furniture and equipment, including health care delivery assets.....		4,131	4,131
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0
23. Receivables from parent, subsidiaries and affiliates.....	6,203	91,899	85,696
24. Health care and other amounts receivable.....	27,145,437	18,512,121	(8,633,316)
25. Aggregate write-ins for other-than-invested assets.....	62,052,553	55,270,046	(6,782,507)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	96,475,550	79,385,633	(17,089,917)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0
28. TOTALS (Lines 26 and 27).....	96,475,550	79,385,633	(17,089,917)

DETAILS OF WRITE-INS

1101.			0
1102.			0
1103.			0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above).....	0	0	0
2501. Prepaid Expenses.....	62,052,553	55,270,046	(6,782,507)
2502.			0
2503.			0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	62,052,553	55,270,046	(6,782,507)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....	291,657	311,180	307,109	303,437	297,356	3,642,624
2. Provider service organizations.....						
3. Preferred provider organizations.....						
4. Point of service.....	73,566	86,964	83,650	81,617	78,498	992,065
5. Indemnity only.....						
6. Aggregate write-ins for other lines of business.....	128,856	140,007	142,067	144,199	146,023	1,708,092
7. Total.....	494,079	538,151	532,826	529,253	521,877	6,342,781

DETAILS OF WRITE-INS

0601. Medicare Advantage.....	115,600	125,714	127,389	129,238	130,862	1,532,637
0602. Medigap.....	13,256	14,293	14,678	14,961	15,161	175,455
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	0	0	0	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above).....	128,856	140,007	142,067	144,199	146,023	1,708,092

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies and Going Concern

- A.

Accounting Practices

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Michigan Department of Insurance and Financial Services (DIFS). DIFS requires that HMOs domiciled in Michigan prepare their statutory-basis financial statements in accordance with the National Association of Insurance Commissioners’ (NAIC) Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by DIFS.
- | | SSAP # | F/S Page | F/S Line # | 2017 | 2016 |
|--|--------|----------|------------|----------------|----------------|
| NET INCOME | | | | | |
| (1) Priority Health Company state basis
(Page 4, Line 32, Columns 2 & 3) | XXX | XXX | XXX | \$ 78,693,549 | \$ 51,092,423 |
| (2) State Prescribed Practices that are an increase/(decrease) from NAIC SAP | | | | \$ | \$ |
| (3) State Permitted Practices that are an increase/(decrease) from NAIC SAP | | | | \$ | \$ |
| (4) NAIC SAP (1 – 2 – 3 = 4) | XXX | XXX | XXX | \$ 78,693,549 | \$ 51,092,423 |
| SURPLUS | | | | | |
| (5) Priority Health Company state basis
(Page 3, line 33, Columns 3 & 4) | XXX | XXX | XXX | \$ 669,000,277 | \$ 574,493,055 |
| (6) State Prescribed Practices that are an increase/(decrease) from NAIC SAP | | | | \$ | \$ |
| (7) State Permitted Practices that are an increase/(decrease) from NAIC SAP | | | | \$ | \$ |
| (8) NAIC SAP (5 – 6 – 7 = 8) | XXX | XXX | XXX | \$ 669,000,277 | \$ 574,493,055 |
- B.

Use of Estimates in the Preparation of the Financial Statement

The preparation of financial statements of HMOs requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.
- C.

Accounting Policy

(1) Basis for Short-Term Investments

All short-term investments have been classified in accordance with National Association of Insurance Commissioners (NAIC) guidelines and are stated at amortized cost for financial statement disclosure.

(2) Basis for Bonds and Amortization Schedule

Investments in bonds are carried at amortized cost. The cost of bonds is adjusted for amortization of premiums and discounts to maturity using a level-yield method. Realized gains and losses are determined using the specific identification method and are included in operations. The fair value of investments is determined based upon quoted market prices.

(3) Basis for Common Stocks

Investments in Common Stocks are reported at fair market value based upon quoted market prices.

(4) Basis for Preferred Stocks

NOT APPLICABLE

(5) Basis for Mortgage Loans

NOT APPLICABLE

(6) Basis for Loan-Backed Securities and Adjustment Methodology

Loan-backed securities as well as other asset-backed securities are held and are reported at their amortized cost.

(7) Accounting Policies for Investments in Subsidiaries, Controlled and Affiliated Entities

The Company uses the equity method to account for investment in and the continuing operations of its wholly owned subsidiaries, Priority Health Choice, Inc. and Priority Health Insurance Company, as described in SSAP 97.

(8) Accounting Policies for Investments in Joint Ventures, Partnerships and Limited Liability Entities

The Company owns PHMB Properties, an LLC company.

(9) Accounting Policies for Derivatives

NOT APPLICABLE

(10) Anticipated Investment Income Used in Premium Deficiency Calculation

The Company utilizes anticipated investment income as a factor in the premium deficiency calculation.

(11) Management’s Policies and Methodologies for Estimating Liabilities for Losses and Loss/Claim Adjustment Expenses for A&H Contracts

Under traditional arrangements, health care costs are recognized as expenses when services are rendered including, based on historical data, an estimate of costs incurred but not reported at the balance sheet date. Under capitation arrangements and risk-savings/sharing programs, health care costs are recognized when accruable under the providers’ respective agreements. Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claims estimates and changes in margin associated with these estimates and could be material in the future. Given the nature of the health care costs and provider billing requirements, as defined by the participating providers’ agreements, amounts accrued at year-end are paid predominantly in the following year.

(12) Changes in the Capitalization Policy and Predefined Thresholds from Prior Period

The Company has had no change in capitalization policy.

(13) Method Used to Estimate Pharmaceutical Rebate Receivables

The Company estimates pharmaceutical rebate receivables based on historic collection experience and reporting provided by pharmacy benefit managers.

D.

Going Concern

NONE
- Note 2 – Accounting Changes and Corrections of Errors
- A.

Material Changes in Accounting Principles and/or Correction of Errors - NOT APPLICABLE
- 26

NOTES TO FINANCIAL STATEMENTS

Note 3 – Business Combinations and Goodwill

- A. Statutory Purchase Method - NOT APPLICABLE
- B. Statutory Merger - NOT APPLICABLE
- C. Assumption Reinsurance - NOT APPLICABLE
- D. Impairment Loss - NOT APPLICABLE

Note 4 – Discontinued Operations

- A. Discontinued Operation Disposed of or Classified as Held for Sale - NOT APPLICABLE
- B. Change in Plan of Sale of Discontinued Operation - NOT APPLICABLE
- C. Nature of any Significant Continuing Involvement with Discontinued Operations After Disposal - NOT APPLICABLE
- D. Equity Interest Retained in the Discontinued Operation After Disposal - NOT APPLICABLE

Note 5 – Investments

- A. Mortgage Loans, including Mezzanine Real Estate Loans - NOT APPLICABLE
- B. Debt Restructuring - NOT APPLICABLE
- C. Reverse Mortgages - NOT APPLICABLE
- D. Loan-Backed Securities
 - (1) Description of Sources Used to Determined Prepayment Assumptions
Prepayment assumptions for loan-backed and asset-backed securities were obtained from broker dealer survey including Bloomberg and Solomon Yield Book.
 - (2) Other-Than-Temporary Impairments
Not Applicable.
 - (3) Recognized OTTI securities
Not Applicable.
 - (4) All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):
Not Applicable.
 - (5) Information Investor Considered in Reaching Conclusion that Impairments are Not Other-Than-Temporary
The Company has applied retrospective adjustment methodology to these investments.
- E. Dollar Repurchase Agreements and/or Securities Lending Transactions - NOT APPLICABLE
- F. Repurchase Agreements Transactions Accounted for as Secured Borrowing - NOT APPLICABLE
- G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing - NOT APPLICABLE
- H. Repurchase Agreements Transactions Accounted for as a Sale - NOT APPLICABLE
- I. Reverse Repurchase Agreements Transactions Accounted for as a Sale - NOT APPLICABLE
- J. Real Estate - NOT APPLICABLE
- K. Low-Income Housing Tax Credits (LIHTC) - NOT APPLICABLE
- L. Restricted Assets

(1) Restricted Assets (Including Pledged)

	1	2	3	4	5	6	7
Restricted Asset Category	Total Gross Restricted from Current Year	Total Gross Restricted from Prior Year	Increase (Decrease) (1 minus 2)	Total Current Year Nonadmitted Restricted	Total Current Year Admitted Restricted (1 minus 4)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	Additional Restricted to Total Admitted Assets (b)
a. Subject to contractual obligation for which liability is not shown	\$	\$	\$	\$	\$	%	%
b. Collateral held under security lending arrangements						%	%
c. Subject to repurchase agreements						%	%
d. Subject to reverse repurchase agreements						%	%
e. Subject to dollar repurchase agreements						%	%
f. Subject to dollar reverse repurchase agreements						%	%
g. Placed under option contracts						%	%
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock						%	%
i. FHLB capital stock						%	%
j. On deposit with states	1,045,896	1,043,786	2,110		1,045,896	%	%

NOTES TO FINANCIAL STATEMENTS

	1	2	3	4	5	6	7
Restricted Asset Category	Total Gross Restricted from Current Year	Total Gross Restricted from Prior Year	Increase (Decrease) (1 minus 2)	Total Current Year Nonadmitted Restricted	Total Current Year Admitted Restricted (1 minus 4)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	Additional Restricted to Total Admitted Assets (b)
k. On deposit with other regulatory bodies						%	%
l. Pledged as collateral to FHLB (including assets backing funding agreements)						%	%
m. Pledged as collateral not captured in other categories						%	%
n. Other restricted assets						%	%
o. Total Restricted Assets	\$ 1,045,896	\$ 1,043,786	\$ 2,110	\$	\$ 1,045,896	%	%

(a) Column 1 divided by Asset Page, Column 1, Line 28

(b) Column 5 divided by Asset Page, Column 1, Line 28

- (2) Detail of Assets Pledged as Collateral Not Captured in Other Categories - NOT APPLICABLE
- (3) Detail of Other Restricted Assets - NOT APPLICABLE
- (4) Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements - NOT APPLICABLE

- M. Working Capital Finance Investments - NOT APPLICABLE
- N. Offsetting and Netting of Assets and Liabilities - NOT APPLICABLE
- O. Structured Notes - NOT APPLICABLE
- P. 5* Securities - NOT APPLICABLE
- Q. Short Sales - NOT APPLICABLE
- R. Prepayment Penalty and Acceleration Fees - NOT APPLICABLE

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

The Company has no Joint Ventures, Partnerships, or Limited Liability Companies that exceed 10% of its admitted assets.

Note 7 – Investment Income

This note is not applicable to the Company as no income due is past its due date and no investment income was non-admitted.

Note 8 – Derivative Instruments

This note is Not Applicable to the Company.

Note 9 – Income Taxes

The Company is exempt from federal income taxes as an organization described under Internal Revenue Code Section 501(c)(4). Therefore, income tax expense has not been recorded.

Note 10 – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A, B, C, D, E, F, G

The Company has a management contract with Priority Health Managed Benefits, Inc. (PHMB), an organization related to the Company through common ownership, to provide certain management services. The management fee incurred by the Company was \$202,191,000 in 2017 and \$172,925,000 in 2016, respectively.

Premium revenues recognized from related organizations were approximately \$251,210,000 and \$235,864,000 during 2017 and 2016, respectively. Health care costs approximating \$519,469,000 during 2017 and \$452,947,000 in 2016 were provided to plan members by related organizations.

Amounts due from affiliates were \$16,559,000 at December 31, 2017, and \$17,027,000 at December 31, 2016, and relate primarily to premium receipts collected on behalf of Priority Health. Amounts due to affiliates were \$41,991,000 at December 31, 2017, and \$28,502,000 at December 31, 2016, and relate primarily to premium receipts collected on behalf of Priority Health Insurance Company and premium risk sharing with Spectrum Health.

- H. Ownership in Upstream Affiliate or Parent - NOT APPLICABLE
- I. Investments in SCA Entities Exceeding 10% of Admitted Assets - NOT APPLICABLE
- J. Investments in Impaired SCA Entities - NOT APPLICABLE
- K. Investments in Impaired SCA Entities - NOT APPLICABLE
- L. Investment in Downstream Noninsurance Holding Company - NOT APPLICABLE
- M. All SCA Investments - NOT APPLICABLE
- N. Investment in Insurance SCAs - NOT APPLICABLE

NOTES TO FINANCIAL STATEMENTS

Note 11 – Debt

A. Debt, including Capital Notes and Reverse Repurchase Agreements

In 2008, the Company obtained a \$10,000,000 line of credit from Spectrum Health, its parent company, which was outstanding at December 31, 2017 and 2016. The line of credit requires interest be paid in installments and matures in September 2019. This line of credit bears interest at a floating rate based on one-month LIBOR plus 65 basis points (2.21% at December 31, 2017).

B. FHLB (Federal Home Loan Bank) Agreements - NOT APPLICABLE

Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plan - NOT APPLICABLE

B. Investment Policies and Strategies - NOT APPLICABLE

C. Fair Value of Plan Assets - NOT APPLICABLE

D. Basis Used to Determine Expected Long-Term Rate-of-Return - NOT APPLICABLE

E. Defined Contribution Plans - NOT APPLICABLE

F. Multiemployer Plans - NOT APPLICABLE

G. Consolidated/Holding Company Plans - NOT APPLICABLE

H. Postemployment Benefits and Compensated Absences - NOT APPLICABLE

I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) - NOT APPLICABLE

Note 13 – Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

(1) The Company has 10,000--Class A and 60,000--Class B authorized shares of common stock. Of these shares, 8,524 are issued and outstanding (8,000--Class A, 524--Class B).

(2) Preferred Stock - NOT APPLICABLE

(3) Dividend Restrictions - NOT APPLICABLE

(4) All stock is non-dividend bearing

(5) There were not restrictions placed on the Plan's surplus.

(6) Restrictions on Unassigned Funds (Surplus) - NOT APPLICABLE

(7) Advances to Surplus not Repaid - NOT APPLICABLE

(8) Stock Held for Special Purposes - NOT APPLICABLE

(9) Special Surplus Funds Changes - NOT APPLICABLE

(10) The Portion of Unassigned Funds (Surplus) Represented or Reduced by Unrealized Gains and Losses is: \$38,903,593.

(11) The Reporting Entity Issued the Following Surplus Debentures or Similar Obligations

Date Issued	Interest Rate	Par Value (Face Amount of Notes)	Carrying Value of Note*	Principal and/or Interest Paid Current Period	Total Principal and/or Interest Paid	Unapproved Principal and/or Interest	Date of Maturity
12/08/2006	6.0%	\$ 6,000,000	\$ 6,000,000	\$ 360,000	\$ 3,240,000	\$ 360,000	
12/08/2006	6.0%	\$ 6,000,000	\$ 6,000,000	\$ 360,000	\$ 3,240,000	\$ 360,000	
Total	XXX	\$ 12,000,000	\$ 12,000,000	\$ 720,000	\$ 6,480,000	\$ 720,000	XXX

The Surplus Notes listed above were issued to Spectrum Health Corporation.

The Surplus Notes have the following repayment conditions and restrictions: Payment of interest and principal, if any, shall be paid annually from earned surplus. Repayment of such amounts will be subject to the approval of the Board of Directors of Priority Health and prior written approval by the State of Michigan's Department of Insurance and Financial Services.

The Surplus Notes have the following subordination terms: The payment of principal and interest is expressly subordinated to claims of creditors and members of Priority Health and any other priority claims provided by Chapter 81 of the Insurance Code, which provides that surplus notes are at the eighth level of priority.

The liquidation preferences to the insurer's shareholders are as follows: If Priority Health is dissolved and there are insufficient assets to pay in full the principal amount of and interest on all outstanding surplus notes, then Priority Health shall pay on all surplus notes pro rata on the basis of the outstanding principal amount of each surplus note and the interest accrued thereon. Regardless of the issuance date of these Surplus Notes or any other surplus note of Priority Health, these Surplus Notes shall be of equal rank with any other surplus note or series of surplus notes.

(12) The impact of any restatement due to prior quasi-reorganizations is as follows - NOT APPLICABLE

(13) The effective dates of all quasi-reorganizations in the prior 10 years are - NOT APPLICABLE

NOTES TO FINANCIAL STATEMENTS

Note 14 – Liabilities, Contingencies and Assessments

A. Contingent Commitments

The Company has committed to its wholly owned subsidiaries, Priority Health Insurance Company, Inc. and Priority Health Choice, Inc., to provide additional capital as needed in order for this subsidiary to meet capital requirements as mandated by the regulating authority.

B. Assessments - NOT APPLICABLE

C. Gain Contingencies - NOT APPLICABLE

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits - NOT APPLICABLE

E. Joint and Several Liabilities - NOT APPLICABLE

F. All Other Contingencies - NOT APPLICABLE

Note 15 – Leases

This note is not applicable to the Company.

Note 16 – Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

This note is not applicable to the Company.

Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

This note is not applicable to the Company.

Note 18 – Gain or Loss to the Reporting Entity from Uninsured Plans and the Portion of Partially Insured Plans

This note is not applicable to the Company.

Note 19 – Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

This note is not applicable to the Company.

Note 20 – Fair Value Measurements

A. The Company’s financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (now codified under FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*). The hierarchy gives the highest ranking to fair values determined using unadjusted quoting prices in active markets for identical assets and liabilities (Level 1) and the lowers ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset’s or a liability’s classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2: Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

The following table summarizes the valuation of the Company’s financial instruments by the above pricing categories:

(1) Fair Value Measurements at Reporting Date					
	Level 1	Level 2	Level 3	Total	Net Asset Value (NAV) Included in Level 2
Assets at Fair Value					
Common Stock	\$ 133,288,486	\$	\$	\$ 133,288,486	\$
Total	\$ 133,288,486	\$	\$	\$ 133,288,486	\$

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy - NOT APPLICABLE

B. Fair Value Reporting under SSAP 100 and Other Accounting Pronouncements

C. Transfers Between Levels

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)	Net Asset Value (NAV) Included in Level 2
Common Stock	\$ 133,288,486	\$ 133,288,486	\$ 133,288,486	\$	\$	\$	\$

D. Not Practicable to Estimate Fair Value - NOT APPLICABLE

Note 21 – Other Items

A. Unusual or Infrequent Items - NOT APPLICABLE

NOTES TO FINANCIAL STATEMENTS

- B. Troubled Debt Restructuring Debtors - NOT APPLICABLE
- C. Other Disclosures - NOT APPLICABLE
- D. Business Interruption Insurance Recoveries - NOT APPLICABLE
- E. State Transferable and Non-Transferable Tax Credits - NOT APPLICABLE
- F. Subprime Mortgage Related Risk Exposure - NOT APPLICABLE
- G. Retained Assets - NOT APPLICABLE
- H. Insurance-Linked Securities (ILS) Contracts - NOT APPLICABLE

Note 22 – Events Subsequent

A.	Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the Federal Affordable Care Act (YES/NO)?			Yes [X]	No []
B.	ACA fee assessment payable for the upcoming year	\$	30,484,197	\$	
C.	ACA fee assessment paid	\$		\$	19,056,226
D.	Premium written subject to ACA 9010 assessment	\$	2,996,752,147	\$	2,641,407,555
E.	Total adjusted capital before surplus adjustment (Five-Year Historical Line 14)	\$	669,000,277		
F.	Total adjusted capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above)	\$	638,516,080		
G.	Authorized control level (Five-Year Historical Line 15)	\$	127,921,233		
H.	Would reporting the ACA assessment as of December 31, 2017 have triggered an RBC action level (YES/NO)?			Yes []	No [X]

Note 23 – Reinsurance

- A. Ceded Reinsurance Report - NOT APPLICABLE
- B. Uncollectible Reinsurance - NOT APPLICABLE
- C. Commutation of Ceded Reinsurance - NOT APPLICABLE
- D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation - NOT APPLICABLE

Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination

- A. Written premiums for the Company’s Medicare Advantage product are subject to retrospective adjustments. The Company estimates accrued retrospective premiums based on a risk corridor calculation as defined by the CMS. The Company also estimates accrued retrospective premium adjustments for its group health insurance business based on the financial experience of the policyholder with a charge for administrative expenses.
- B. The Company records accrued retrospective premium as an adjustment of earned premium.
- C. The amount of net premiums written by the Company at December 31, 2017, that are subject to retrospective rating features was \$1,235,677,000, representing 40.8% of the total net premiums written. No other net premiums written by the Company are subject to retrospective rating features.
- D. Medical Loss Ratio Rebates Required Pursuant to the Public Health Service Act - NOT APPLICABLE
- E. Risk Sharing Provisions of the Affordable Care Act

(1) Did the reporting entity write accident and health insurance premium which is subject to the Affordable Care Act risk sharing provisions Yes [X] No []

(2) Impact of Risk Sharing Provisions of the Affordable Care Act on admitted assets, liabilities and revenue for the current year:

a. Permanent ACA Risk Adjustment Program	AMOUNT
Assets	
1. Premium adjustments receivable due to ACA Risk Adjustment	\$
Liabilities	
2. Risk adjustment user fees payable for ACA Risk Adjustment	\$ 234,000
3. Premium adjustments payable due to ACA Risk Adjustment	\$ 73,027,000
Operations (Revenue & Expenses)	
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment	\$ 53,707,000
5. Reported in expenses as ACA Risk Adjustment user fees (incurred/paid)	\$ 241,000

b. Transitional ACA Reinsurance Program	AMOUNT
Assets	
1. Amounts recoverable for claims paid due to ACA Reinsurance	\$ 2,456,000
2. Amounts recoverable for claims unpaid due to ACA Reinsurance (contra liability)	\$
3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance	\$
Liabilities	
4. Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium	\$
5. Ceded reinsurance premiums payable due to ACA Reinsurance	\$
6. Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance	\$
Operations (Revenue & Expenses)	
7. Ceded reinsurance premiums due to ACA Reinsurance	\$
8. Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments	\$ 714,000
9. ACA Reinsurance contributions – not reported as ceded premium	\$

NOTES TO FINANCIAL STATEMENTS

c. Temporary ACA Risk Corridors Program		AMOUNT
Assets		
1.	Accrued retrospective premium due to ACA Risk Corridors	\$
Liabilities		
3.	Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors	\$
Operations (Revenue & Expenses)		
3.	Effect of ACA Risk Corridors on net premium income (paid/received)	\$ 4,000
4.	Effect of ACA Risk Corridors on change in reserves for rate credits	\$

(3) Roll forward of prior year ACA Risk Sharing Provisions for the following asset (gross of any nonadmission) and liability balances along with the reasons for adjustments to prior year balance:

	Accrued During the Prior Year on Business Written Before Dec. 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before Dec. 31 of the Prior Year		Differences		Adjustments		Ref	Unsettled Balances as of the Reporting Date	
					Prior Year Accrued Less Payments (Col. 1-3)	Prior Year Accrued Less Payments (Col. 2-4)	To Prior Year Balances	To Prior Year Balances		Cumulative Balance from Prior Years (Col. 1-3+7)	Cumulative Balance from Prior Years (Col. 2-4+8)
	1	2	3	4	5	6	7	8		9	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)		Receivable	(Payable)
a. Permanent ACA Risk Adjustment Program											
1. Premium adjustments receivable	\$	\$	\$	\$	\$	\$	\$	\$	A	\$	\$
2. Premium adjustments (payable)		56,290,000		36,971,000		19,319,000		(19,319,000)	B		
3. Subtotal ACA Permanent Risk Adjustment Program	\$	\$ 56,290,000	\$	\$ 36,971,000	\$	\$ 19,319,000	\$	\$ (19,319,000)		\$	\$
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid	\$ 15,461,000	\$	\$ 13,785,000	\$	\$ 1,676,000	\$	\$ 780,000	\$	C	\$ 2,456,000	\$
2. Amounts recoverable for claims unpaid (contra liability)									D		
3. Amounts receivable relating to uninsured plans									E		
4. Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premiums		7,879,000		7,879,000					F		
5. Ceded reinsurance premiums payable		1,741,000		1,741,000					G		
6. Liability for amounts held under uninsured plans									H		
7. Subtotal ACA Transitional Reinsurance Program	\$ 15,461,000	\$ 9,620,000	\$ 13,785,000	\$ 9,620,000	\$ 1,676,000	\$	\$ 780,000	\$		\$ 2,456,000	\$
c. Temporary ACA Risk Corridors Program											
1. Accrued retrospective premium	\$	\$	\$ 4,000	\$	\$ (4,000)	\$	\$ 4,000	\$	I	\$	\$
2. Reserve for rate credits or policy experience rating refunds									J		
3. Subtotal ACA Risk Corridors Program	\$	\$	\$ 4,000	\$	\$ (4,000)	\$	\$ 4,000	\$		\$	\$
d. Total for ACA Risk Sharing Provisions	\$ 15,461,000	\$ 65,910,000	\$ 13,789,000	\$ 46,591,000	\$ 1,672,000	\$ 19,319,000	\$ 784,000	\$ (19,319,000)		\$ 2,456,000	\$

- Explanations of Adjustments
- A.
 - B. Adjust to final settlement
 - C. Adjust to final settlement
 - D.
 - E.
 - F.
 - G.
 - H.
 - I. Concerns over collectibility
 - J.

NOTES TO FINANCIAL STATEMENTS

(4) Roll-Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year

	Accrued the Prior Year Written Dec. 31 of the	During on Business Before Prior Year	Received or Paid as of the Current Year on Business Written Before Dec. 31 of the Prior Year		Differences		Adjustments			Unsettled Balances as of the Reporting Date	
					Prior Year Accrued Less Payments (Col. 1-3)	Prior Year Accrued Less Payments (Col. 2-4)	To Prior Year Balances	To Prior Year Balances		Cumulative Balance from Prior Years (Col. 1-3+7)	Cumulative Balance from Prior Years (Col. 2-4+8)
					5	6	7	8		9	10
					Receivable	(Payable)	Receivable	(Payable)		Receivable	(Payable)
a. 2014											
1. Accrued retrospective premium	\$	\$	\$ 4,000	\$	\$ (4,000)	\$	\$ 4,000	\$	A	\$	\$
2. Reserve for rate credits for policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	B	\$	\$
b. 2015											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	C	\$	\$
2. Reserve for rate credits for policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	D	\$	\$
c. 2016											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	E	\$	\$
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	F	\$	\$
d. Total for Risk Corridors	\$	\$	\$ 4,000	\$	\$ (4,000)	\$	\$ 4,000	\$		\$	\$

- A. Concerns over collectibility
- B.
- C.
- D.
- E.
- F.

(5) ACA Risk Corridors Receivable as of Reporting Date

Risk Corridors Program Year	1	2	3	4	5	5
	Estimated Amount to be Filed or Final Amount Filed with CMS	Non-Accrued Amounts for Impairment or Other Reasons	Amounts Received from CMS	Asset Balance (Gross of Non-Admissions) (1-2-3)	Non-Admitted Amount	Net Admitted Asset (4–5)
a. 2014	\$ 465,000	\$ 400,000	\$ 65,000	\$	\$	\$
b. 2015	14,346,000	14,346,000				
c. 2016	26,340,000	26,340,000				
d. Total (a+b+c)	\$ 41,151,000	\$ 41,086,000	\$ 65,000	\$	\$	\$

Note 25 – Change in Incurred Losses and Loss Adjustment Expenses

Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claim estimates and release of any margin associated with these estimates. Reserve adjustments were favorable by approximately \$7,963,000 in 2017, decreasing the prior year-end claim reserve estimates of \$238,326,000 to \$230,363,000.

Note 26 – Intercompany Pooling Arrangements

This note is Not Applicable to the Company.

Note 27 – Structured Settlements

This note is Not Applicable to the Company.

NOTES TO FINANCIAL STATEMENTS

Note 28 – Health Care Receivables

A. Pharmaceutical Rebate Receivables

The Company’s method for estimating pharmacy rebates relies on the information provided by pharmacy benefit managers for invoiced rebates. The Company collects a portion of rebates for its subsidiary companies. These are included in the Company’s amounts due to affiliates.

Pharmacy rebates as of the end of each quarter for the three years ended December 31, 2017, 2016 and 2015 are as follows:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More than 180 Days After Billing
12/31/2017	\$ 30,777,386	\$	\$	\$	\$
09/30/2017	29,359,560		15,202,962		
06/30/2017	27,459,037		15,355,902	230,219	
03/31/2017	24,129,136		15,405,190	150,706	93
12/31/2016	19,037,502		11,833,268	3,852,846	59,070
09/30/2016	18,777,096		5,926,052	9,621,272	207,294
06/30/2016	18,194,696		5,832,098	4,661,928	4,947,791
03/31/2016	19,223,012		6,448,616	4,767,725	4,487,547
12/31/2015	15,927,463		5,922,132	4,797,699	2,674,468
09/30/2015	15,412,756		5,721,048	5,446,657	1,988,866
06/30/2015	14,282,591		7,170,334	3,012,251	2,345,999
03/31/2015	10,599,000		3,798,614	4,781,453	2,106,881

B. Risk Sharing Receivables - NOT APPLICABLE

Note 29 – Participating Policies

This note is Not Applicable to the Company.

Note 30 – Premium Deficiency Reserves

The Company recorded no premium deficiency reserve in the 2017 and 2016 financial statements.

Note 31 – Anticipated Salvage and Subrogation

This note is Not Applicable to the Company.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?
If yes, complete Schedule Y, Parts 1, 1A and 2.

Yes [X] No []

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X] No [] N/A []

1.3

State regulating? Michigan

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [X] No []

2.2

If yes, date of change:

08/21/2017

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2017

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2013

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

03/03/2015

3.4

By what department or departments?
State of Michigan Department of Insurance and Financial Services

3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes [] No [] N/A [X]

3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes [] No [] N/A [X]

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11

sales of new business?

Yes [] No [X]

4.12

renewals?

Yes [] No [X]

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21

sales of new business?

Yes [] No [X]

4.22

renewals?

Yes [] No [X]

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [] No [X]

5.2

If yes, provide the name of entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2 NAIC Company Code	3 State of Domicile
Name of Entity		

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [] No [X]

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]

7.2

If yes,

7.21

State the percentage of foreign control

%

7.22

State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

8.1

Is the company a subsidiary of a bank holding company regulated with the Federal Reserve Board?

Yes [] No [X]

8.2

If response to 8.1 is yes, please identify the name of the bank holding company.

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]

8.4

If the response to 8.3 is yes, please provide below the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young LLP, 171 Monroe Ave., Grand Rapids, MI 49503

10.1

Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?

Yes [] No [X]

10.2

If the response to 10.1 is yes, provide information related to this exemption:

10.3

Has the insurer been granted any exemptions related to other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation?

Yes [] No [X]

10.4

If the response to 10.3 is yes, provide information related to this exemption:

10.5

Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?

Yes [X] No [] N/A []

10.6

If the response to 10.5 is no or n/a, please explain:

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

11.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Ernst & Young LLP, Insurance & Actuarial Advisory Services, 5 Times Square, New York, NY 10036
- 12.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes ☒ No ☐

12.11

Name of real estate holding company PHMB Properties, LLC

12.12

Number of parcels involved

1

12.13

Total book/adjusted carrying value

\$

0
- 12.2

If yes, provide explanation
Occupied building owned by a wholly-owned subsidiary
13.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes ☐ No ☐

13.3

Have there been any changes made to any of the trust indentures during the year?

Yes ☐ No ☐

13.4

If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?

Yes ☐ No ☐ N/A ☐

14.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes ☒ No ☐

(a)

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(b)

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

(c)

Compliance with applicable governmental laws, rules and regulations;

(d)

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

(e)

Accountability for adherence to the code.

14.11

If the response to 14.1 is no, please explain:

14.2

Has the code of ethics for senior managers been amended?

Yes ☐ No ☒

14.21

If the response to 14.2 is yes, provide information related to amendment(s).

14.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes ☐ No ☒

14.31

If the response to 14.3 is yes, provide the nature of any waiver(s).

15.1

Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List?

Yes ☐ No ☒

15.2

If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1	2	3	4
American Bankers Association (ABA) Routing Number	Issuing or Confirming Bank Name	Circumstances That Can Trigger the Letter of Credit	Amount
			\$

BOARD OF DIRECTORS

16.

Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinator committee thereof?

Yes ☒ No ☐

17.

Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes ☒ No ☐

18.

Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes ☒ No ☐

FINANCIAL

19.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes ☐ No ☒

20.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11

To directors or other officers

\$

0

20.12

To stockholders not officers

\$

0

20.13

Trustees, supreme or grand (Fraternal only)

\$

0

20.2

Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21

To directors or other officers

\$

0

20.22

To stockholders not officers

0

20.23

Trustees, supreme or grand (Fraternal only)

0

21.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reporting in the statement?

Yes ☐ No ☒

21.2

If yes, state the amount thereof at December 31 of the current year:

21.21

Rented from others

\$

0

21.22

Borrowed from others

\$

0

21.23

Leased from others

\$

0

21.24

Other

\$

0

22.1

Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?

Yes ☐ No ☒

22.2

If answer is yes:

22.21

Amount paid as losses or risk adjustment

\$

0

22.22

Amount paid as expenses

\$

0

22.23

Other amounts paid

\$

0

23.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes ☒ No ☐

23.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$

0

INVESTMENT

27.1

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

24.01

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.03)?

Yes [☐] No [☒]

24.02

If no, give full and complete information, relating thereto:
Priority Health had exclusive control over the securities, however, a third party, Mellon Bank, had actual possession of the securities.

24.03

For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 17 where this information is also provided).

24.04

Does the company's security lending program meet the requirements for a conforming program as outlined in the *Risk-Based Capital Instructions*?

Yes [☐] No [☐] N/A [☒]

24.05

If answer to 24.04 is yes, report amount of collateral for conforming programs.

\$ 0

24.06

If answer to 24.04 is no, report amount of collateral for other programs

\$ 0

24.07

Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

Yes [☐] No [☐] N/A [☒]

24.08

Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes [☐] No [☐] N/A [☒]

24.09

Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?

Yes [☐] No [☐] N/A [☒]

24.10

For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101

Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2:

\$ 0

24.102

Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2:

\$ 0

24.103

Total payable for securities lending reported on the liability page:

\$ 0

25.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is current in force? (Exclude securities subject to Interrogatory 21.1 and 24.03.)

Yes [☒] No [☐]

25.2

If yes, state the amount thereof at December 31 of the current year:

25.21

Subject to repurchase agreements

\$ 0

25.22

Subject to reverse repurchase agreements

\$ 0

25.23

Subject to dollar repurchase agreements

\$ 0

25.24

Subject to reverse dollar repurchase agreements

\$ 0

25.25

Placed under option agreements

\$ 0

25.26

Letter stock or securities restricted as sale – excluding FHLB Capital Stock

\$ 0

25.27

FHLB Capital Stock

\$ 0

25.28

On deposit with states

\$ 1,045,896

25.29

On deposit with other regulatory bodies

\$ 0

25.30

Pledged as collateral – excluding collateral pledged to an FHLB

\$ 0

25.31

Pledged as collateral to FHLB – including assets backing funding agreements

\$ 0

25.32

Other

\$ 0

25.3

For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		\$

26.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [☐] No [☒]

26.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes [☐] No [☐] N/A [☒]

27.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [☐] No [☒]

27.2

If yes, state the amount thereof at December 31 of the current year:

\$ 0

28.

Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*?

Yes [☒] No [☐]

28.01

For agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Mellon Trust	Pittsburgh, PA

28.02

For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03

Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year?

Yes [☐] No [☒]

28.04

If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05

Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["...that have access to the investment accounts", "... handle securities"].

1 Name of Firm or Individual	2 Affiliation
BlackRock	U
Prime Advisor	U
JP Morgan	U

27.2

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

Seix Advisors	U
---------------	---

28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") manage more than 10% of the reporting entity's assets? Yes [X] No []

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes [] No [X]

28.06 For those firms or individuals listed in the table for 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1	2	3	4	5
Central Registration Depository Number	Name of Firm or Individual	Legal Entity Identifier (LEI)	Registered With	Investment Management Agreement (IMA) Filed
	BlackRock	549300LVXYIVJKE13M84	SEC	NO
	Prime Advisors	N/A	SEC	NO
	JP Morgan	549300W78QHV4XMM6K69	SEC	NO
	Seix Advisors	549300L7I4W19C7JV575	SEC	NO

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [X] No []

29.2 If yes, complete the following schedule:

1 CUSIP	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
233203 58 7	DFA EMERGING MRKTS VALUE	\$ 7,693,866
233203 62 9	DFA INTERNATIONAL	\$ 15,820,012
921943 88 2	VANGUARD DEV MKTS INDEX FUND	\$ 29,137,776
922031 74 5	VANGUARD INFLATION PROTECTED FUND	\$ 13,652,867
922040 10 0	VANGUARD INSTL INDEX FUND	\$ 29,660,595
922042 60 1	VANGUARD EMERGING MKT STK INDEX	\$ 7,640,921
922908 83 5	VANGUARD MID CAP INDEX	\$ 14,591,774
922908 87 6	VANGUARD SMALL CAP INDEX FUND	\$ 15,090,674
29.2999 TOTAL		\$ 133,288,485

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
DFA EMERGING MRKTS VALUE	China Construction Bank	\$ 200,041	12/29/2017
DFA INTERNATIONAL	S+p500 Emini Fut Dec 17	\$ 142,380	12/29/2017
VANGUARD DEV MKTS INDEX FUND	Nestle SA	\$ 378,791	12/29/2017
VANGUARD INFLATION PROTECTED FUND	US Treasuries / Agencies	\$ 13,625,561	12/29/2017
VANGUARD INSTL INDEX FUND	Apple Inc.	\$ 1,127,103	12/29/2017
VANGUARD EMERGING MKT STK INDEX	Tencent Holdings Ltd	\$ 290,355	12/29/2017
VANGUARD MID CAP INDEX	Fiserv Inc	\$ 102,142	12/29/2017
VANGUARD SMALL CAP INDEX FUND	Diamondback Energy Inc	\$ 60,363	12/29/2017

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

		1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1	Bonds	\$ 672,903,758	\$ 677,142,378	\$ 4,238,620
30.2	Preferred Stocks	\$ 0	\$ 0	\$ 0
30.3	Totals	\$ 672,903,758	\$ 677,142,378	\$ 4,238,620

30.4 Describe the sources or methods utilized in determining the fair values:

Pricing services and brokers

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [X] No []

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No []

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

32.1 Have all the filing requirements of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* been followed? Yes [X] No []

32.2 If no, list exceptions:

33. By self-designating 5*GI securities, the reporting entity is certifying the following elements for each self-designation 5*GI security:

- a. Documentation necessary to permit a full credit analysis of the security does not exist.
- b. Issuer or obligor is current on all contracted interest and principal payments.
- c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated 5*GI securities? Yes [] No [X]

OTHER

34.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 309,329

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

34.2

List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Alliance of Community Health Plans	\$ 193,755

35.1

Amount of payments for legal expenses, if any?

\$ 49,504

35.2

List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Miller, Johnson, Snell & Cummiskey, P.L.C	\$ 15,171
Warner, Norcross & Judd	\$ 17,737
Leo Nouhan & Associates	\$ 14,821

36.1

Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?

\$ 313,276

36.2

List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Hooper Lundy & Bookman PLC	\$ 88,814
Alliance of Community Health Plans	\$ 104,331

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?		Yes [X]	No []
1.2	If yes, indicate premium earned on U.S. business only.	\$	31,328,413	
1.3	What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$	0	
1.31	Reason for excluding:			
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$	0	
1.5	Indicate total incurred claims on all Medicare Supplement insurance.	\$	23,225,709	
1.6	Individual policies:			
	Most current three years:			
1.61	Total premium earned	\$	31,328,413	
1.62	Total incurred claims	\$	23,225,709	
1.63	Number of covered lives		15,161	
	All years prior to most current three years:			
1.64	Total premium earned	\$	0	
1.65	Total incurred claims	\$	0	
1.66	Number of covered lives		0	
1.7	Group policies:			
	Most current three years:			
1.71	Total premium earned	\$	0	
1.72	Total incurred claims	\$	0	
1.73	Number of covered lives		0	
	All years prior to most current three years:			
1.74	Total premium earned	\$	0	
1.75	Total incurred claims	\$	0	
1.76	Number of covered lives		0	
2.	Health Test:			
		1 Current Year	2 Prior Year	
2.1	Premium Numerator	\$ 3,026,510,516	\$ 2,664,498,133	
2.2	Premium Denominator	\$ 3,026,510,516	\$ 2,664,498,133	
2.3	Premium Ratio (2.1/2.2)	100.0%	100.0%	
2.4	Reserve Numerator	\$ 398,271,311	\$ 338,770,865	
2.5	Reserve Denominator	\$ 398,271,311	\$ 338,770,865	
2.6	Reserve Ratio (2.4/2.5)	100.0%	100.0%	
3.1	Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?		Yes []	No [X]
3.2	If yes, give particulars:			
4.1	Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?		Yes [X]	No []
4.2	If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?		Yes []	No [X]
5.1	Does the reporting entity have stop-loss reinsurance?		Yes [X]	No []
5.2	If no, explain:			
5.3	Maximum retained risk (see instructions)			
5.31	Comprehensive Medical	\$	1,250,000	
5.32	Medical Only	\$	1,250,000	
5.33	Medicare Supplement	\$	0	
5.34	Dental and Vision	\$	0	
5.35	Other Limited Benefit Plan	\$	0	
5.36	Other	\$	0	
6.	Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements: <u>HMO holds harmless provisions of provider contracts, trust indentures.</u>			

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes [X] No []

7.2

If no, give details

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

17,931

8.2

Number of providers at end of reporting year

18,845

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees with rate guarantees between 15-36 months

\$ 0

9.22

Business with rate guarantees over 36 months

\$ 0

10.1

Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes [X] No []

10.2

If yes:

10.21

Maximum amount payable bonuses

30,068,366

10.22

Amount actually paid for year bonuses

32,169,158

10.23

Maximum amount payable withholds

8,616,667

10.24

Amount actually paid for year withholds

2,234,302

11.1

Is the reporting entity organized as:

11.12

A Medical Group/Staff Model,

Yes [] No [X]

11.13

An Individual Practice Association (IPA), or,

Yes [X] No []

11.14

A Mixed Model (combination of above)?

Yes [] No [X]

11.2

Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements?

Yes [X] No []

11.3

If yes, show the name of the state requiring such minimum capital and surplus.
Michigan

11.4

If yes, show the amount required.

\$ 255,842,465

11.5

Is this amount included as part of a contingency reserve in stockholder's equity?

Yes [] No [X]

11.6

If the amount is calculated, show the calculation
200% ACL

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Alcona
Allegan
Alpena
Antrim
Armenac
Barry
Bay
Benzie
Berrien
Branch
Calhoun
Cass
Charlevoix
Cheboygan
Clare
Clinton
Crawford
Eaton
Emmet
Genesee
Gladwin
Grand Traverse
Gratiot
Hillsdale
Huron
Ingham
Ionia
Iosco
Isabella
Jackson
Kalamazoo
Kalkaska
Kent

28.1

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

Lake
Lapeer
Leelanau
Lenawee
Livingston
Mackinac
Macomb
Manistee
Mason
Mecosta
Midland
Missaukee
Monroe
Montcalm
Montmorency
Muskegon
Newaygo
Oakland
Oceana
Ogemaw
Osceola
Oscoda
Otsego
Ottawa
Presque Isle
Roscommon
Saginaw
St. Clair
St. Joseph
Sanilac
Shiawassee
Tuscola
Van Buren
Washtenaw
Wayne
Wexford

- 13.1

Do you act as a custodian for health savings accounts?

Yes [☐] No [☒ X]
- 13.2

If yes, please provide the amount of custodial funds held as of the reporting date.

\$

0
- 13.3

Do you act as an administrator for health savings accounts?

Yes [☐] No [☒ X]
- 13.4

If yes, please provide the balance of the funds administered as of the reporting date.

\$

0
- 14.1

Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers?

Yes [☐] No [☒ X] N/A [☐]
- 14.2

If the answer to 14.1 is yes, please provide the following:

1 Company Name	2 NAIC Company Code	3 Domiciliary Jurisdiction	4 Reserve Credit	Assets Supporting Reserve Credit		
				5 Letters of Credit	6 Trust Agreements	7 Other
	0		\$	\$	\$	\$

15.

Provide the following for individual ordinary life insurance* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded).
- 15.1

Direct Premium Written

\$

0
- 15.2

Total Incurred Claims

\$

0
- 15.3

Number of Covered Lives

0

*Ordinary Life Insurance Includes
Term (whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without secondary guarantee)
Universal Life (with or without secondary guarantee)
Variable Universal Life (with or without secondary guarantee)

FIVE-YEAR HISTORICAL DATA

	1 2017	2 2016	3 2015	4 2014	5 2013
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28).....	1,166,505,735	1,000,440,084	910,166,675	746,617,766	624,033,703
2. Total liabilities (Page 3, Line 24).....	497,505,458	425,947,028	380,343,437	276,029,628	229,175,225
3. Statutory minimum capital and surplus requirement.....	255,842,465	229,642,768	189,361,980	166,396,840	157,657,790
4. Total capital and surplus (Page 3, Line 33).....	669,000,277	574,493,055	529,823,239	470,588,138	394,858,478
Income Statement Items (Page 4)					
5. Total revenues (Line 8).....	3,015,076,097	2,663,150,099	2,187,669,445	1,984,557,980	1,878,212,653
6. Total medical and hospital expenses (Line 18).....	2,645,791,374	2,335,150,339	1,879,035,784	1,687,211,218	1,658,641,541
7. Claims adjustment expenses (Line 20).....	89,189,394	80,362,416	70,955,130	64,198,032	57,303,430
8. Total administrative expenses (Line 21).....	218,667,958	213,714,591	179,838,102	151,097,550	114,014,475
9. Net underwriting gain (loss) (Line 24).....	61,427,371	33,922,753	57,840,429	82,051,180	48,253,207
10. Net investment gain (loss) (Line 27).....	16,480,488	16,214,770	28,267,381	7,027,093	7,385,767
11. Total other income (Lines 28 plus 29).....	785,690	954,900	5,028,543	2,299,119	2,979,116
12. Net income or (loss) (Line 32).....	78,693,549	51,092,423	91,136,353	91,377,392	58,618,090
Cash Flow (Page 6)					
13. Net cash from operations (Line 11).....	125,898,523	34,423,850	170,710,168	94,419,944	60,659,145
Risk-Based Capital Analysis					
14. Total adjusted capital.....	669,000,277	574,493,055	529,823,239	470,588,138	394,858,478
15. Authorized control level risk-based capital.....	127,921,233	114,821,384	94,680,990	83,198,420	78,828,895
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7).....	521,877	494,079	411,670	363,036	362,130
17. Total member months (Column 6, Line 7).....	6,342,781	5,760,228	4,799,342	4,358,026	4,353,085
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19).....	87.8	87.7	86.0	85.1	88.4
20. Cost containment expenses.....	1.5	1.5	1.4	1.3	1.2
21. Other claims adjustment expenses.....	1.5	1.5	1.9	1.9	1.8
22. Total underwriting deductions (Line 23).....	98.0	98.8	97.4	95.9	97.5
23. Total underwriting gain (loss) (Line 24).....	2.0	1.3	2.6	4.1	2.6
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5).....	170,777,219	208,268,568	155,217,753	134,837,263	151,279,909
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)].....	187,180,313	201,999,975	173,520,374	164,552,893	164,234,799
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1).....					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1).....	121,900,383	103,096,449	89,480,975	89,223,821	74,977,259
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10).....					
30. Affiliated mortgage loans on real estate.....					
31. All other affiliated.....					
32. Total of above Lines 26 to 31.....	121,900,383	103,096,449	89,480,975	89,223,821	74,977,259
33. Total investment in parent included in Lines 26 to 31 above.....					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes[] No[]

If no, please explain:

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		1	Direct Business Only							
			2	3	4	5	6	7	8	9
State, Etc.		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Plan Premiums	Life & Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama.....AL	N.....							.....0	
2.	Alaska.....AK	N.....							.....0	
3.	Arizona.....AZ	N.....							.....0	
4.	Arkansas.....AR	N.....							.....0	
5.	California.....CA	N.....							.....0	
6.	Colorado.....CO	N.....							.....0	
7.	Connecticut.....CT	N.....							.....0	
8.	Delaware.....DE	N.....							.....0	
9.	District of Columbia.....DC	N.....							.....0	
10.	Florida.....FL	N.....							.....0	
11.	Georgia.....GA	N.....							.....0	
12.	Hawaii.....HI	N.....							.....0	
13.	Idaho.....ID	N.....							.....0	
14.	Illinois.....IL	N.....							.....0	
15.	Indiana.....IN	N.....							.....0	
16.	Iowa.....IA	N.....							.....0	
17.	Kansas.....KS	N.....							.....0	
18.	Kentucky.....KY	N.....							.....0	
19.	Louisiana.....LA	N.....							.....0	
20.	Maine.....ME	N.....							.....0	
21.	Maryland.....MD	N.....							.....0	
22.	Massachusetts.....MA	N.....							.....0	
23.	Michigan.....MI	L.....	1,771,233,892	1,235,677,226		21,169,442			3,028,080,560	
24.	Minnesota.....MN	N.....							.....0	
25.	Mississippi.....MS	N.....							.....0	
26.	Missouri.....MO	N.....							.....0	
27.	Montana.....MT	N.....							.....0	
28.	Nebraska.....NE	N.....							.....0	
29.	Nevada.....NV	N.....							.....0	
30.	New Hampshire.....NH	N.....							.....0	
31.	New Jersey.....NJ	N.....							.....0	
32.	New Mexico.....NM	N.....							.....0	
33.	New York.....NY	N.....							.....0	
34.	North Carolina.....NC	N.....							.....0	
35.	North Dakota.....ND	N.....							.....0	
36.	Ohio.....OH	N.....							.....0	
37.	Oklahoma.....OK	N.....							.....0	
38.	Oregon.....OR	N.....							.....0	
39.	Pennsylvania.....PA	N.....							.....0	
40.	Rhode Island.....RI	N.....							.....0	
41.	South Carolina.....SC	N.....							.....0	
42.	South Dakota.....SD	N.....							.....0	
43.	Tennessee.....TN	N.....							.....0	
44.	Texas.....TX	N.....							.....0	
45.	Utah.....UT	N.....							.....0	
46.	Vermont.....VT	N.....							.....0	
47.	Virginia.....VA	N.....							.....0	
48.	Washington.....WA	N.....							.....0	
49.	West Virginia.....WV	N.....							.....0	
50.	Wisconsin.....WI	N.....							.....0	
51.	Wyoming.....WY	N.....							.....0	
52.	American Samoa.....AS	N.....							.....0	
53.	Guam.....GU	N.....							.....0	
54.	Puerto Rico.....PR	N.....							.....0	
55.	U.S. Virgin Islands.....VI	N.....							.....0	
56.	Northern Mariana Islands.....MP	N.....							.....0	
57.	Canada.....CAN	N.....							.....0	
58.	Aggregate Other alien.....OT	XXX.....	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0
59.	Subtotal.....	XXX.....	1,771,233,892	1,235,677,226	.....0	21,169,442	.....0	.....0	3,028,080,560	.....0
60.	Reporting entity contributions for Employee Benefit Plans.....	XXX.....							.....0	
61.	Total (Direct Business).....	(a).....1	1,771,233,892	1,235,677,226	.....0	21,169,442	.....0	.....0	3,028,080,560	.....0

DETAILS OF WRITE-INS

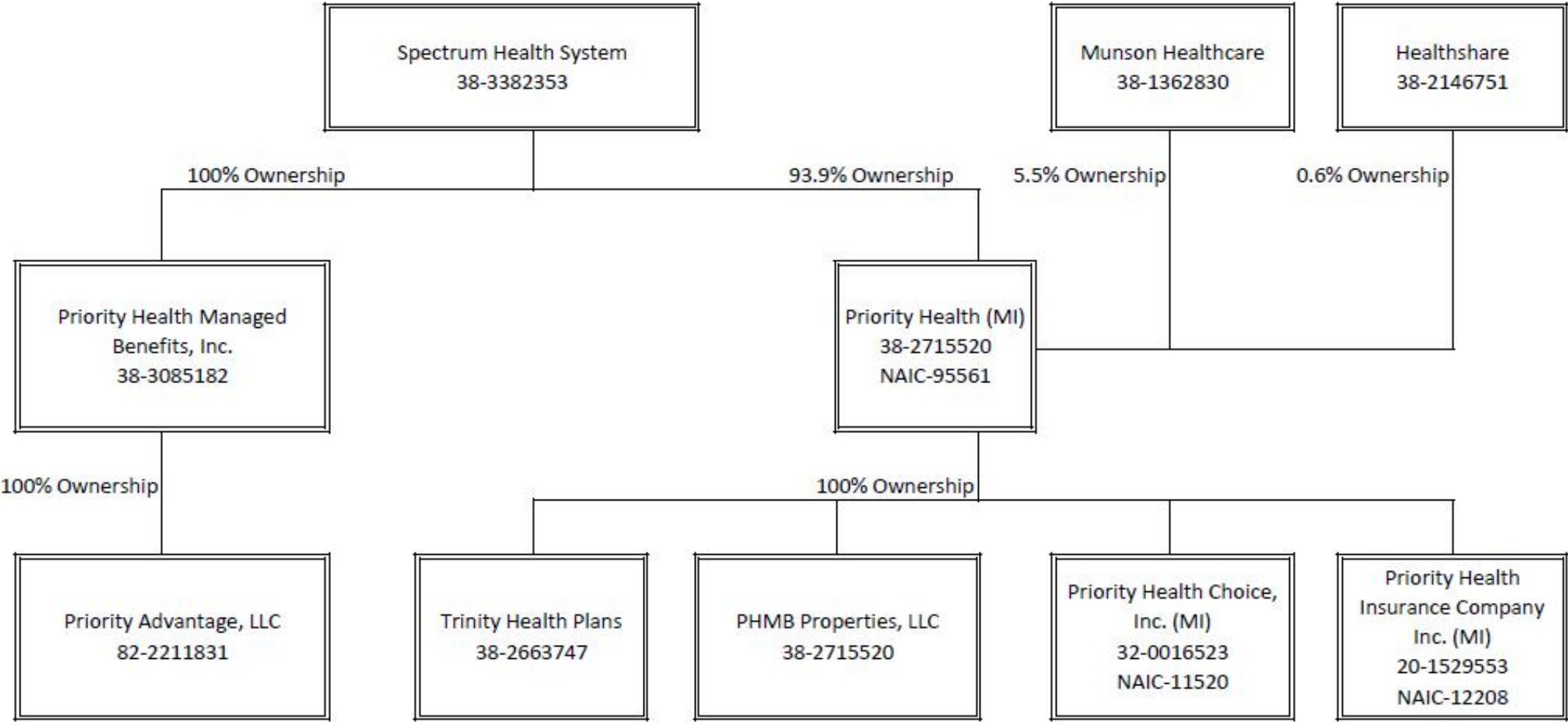
58001.....								.....0	
58002.....								.....0	
58003.....								.....0	
58998. Summary of remaining write-ins for line 58.....	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0
58999. Total (Lines 58001 through 58003 + 58998).....	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0

(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer; (E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

Explanation of basis of allocation by states, premiums by state, etc.
The company only has business in the State of Michigan.

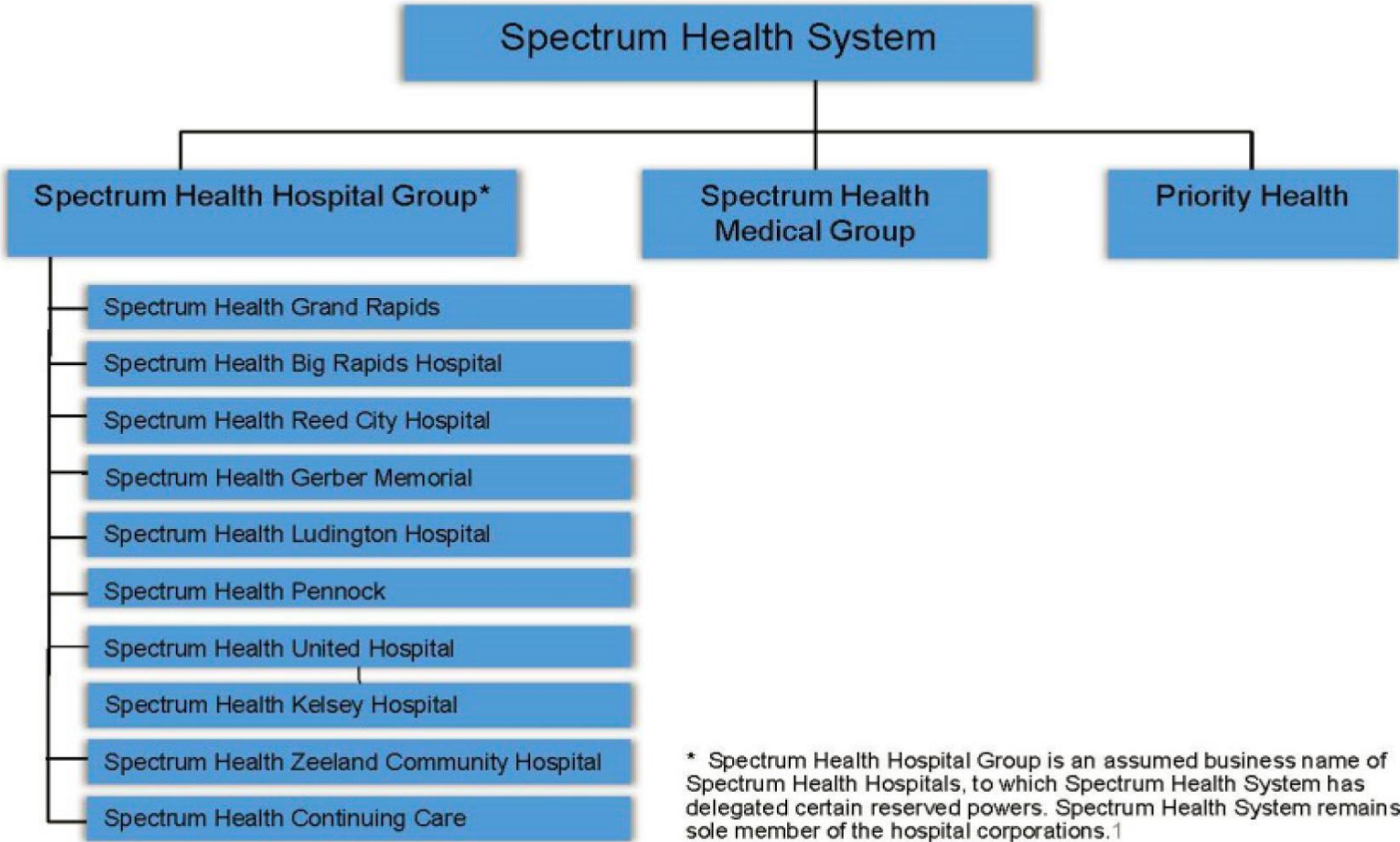
(a) Insert the number of L responses except for Canada and Other Alien.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART



SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART

Spectrum Health Corporate Structure



SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART

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